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MOBILE HOME DEMAND AND SOURCES OF FINANCING

Charles A. Luckett*

Abstract

Once viewed as an important emerging housing alternative, mobile homes experienced a sharp decline in shipments in the mid-1970s, raising new doubts about their ultimate role in meeting the nation's housing needs.

This paper examines recent mobile home shipments, sales, and financing patterns. The findings show that shipments levels in the early 1970s may have provided misleading overestimates of final sales to the consumer, as dealers accumulated inventories rapidly at that time. This phenomena exaggerated the apparent magnitude of the later decline in sales in 1974-75, as dealers switched from inventory accumulation to inventory decumulation during the latter period. On the other hand, the paper also indicates that the current post-recession recovery in final sales may be considerably weaker than was implied by the modest growth in dealer shipments during 1976-77. On balance, the significance of mobile homes as a major source of services still appears in question.

Other evidence presented here suggests that lender restraint on credit availability for mobile home finance, stemming in part from unfavorable delinquency and loss experience, has been one of the important determining factors of sales trends in recent years.

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Mobile Home Demand and Sources of Financing

In the late 1960s and early 1970s it was easy to project the future for mobile home sales. One could simply assemble comparative statistics on the cost-per-square foot of a mobile home versus a site-built home--noting that the mobile home also included furniture--and conclude that mobile homes would garner a larger and larger share of an expanding housing market, as more and more families were priced out of conventional housing.

One would also conclude that financial institutions would readily supply ample funds because mobile home paper carried higher gross yields than home mortgages, and the faster portfolio turnover rates on the shorter-maturity mobile home loans would permit a closer matching of the effective lives of lender assets and liabilities. Even recession would not necessarily be a bad thing for the mobile home industry; hard times might well speed the shift from expensive site-built housing to more economical manufactured housing.

By 1972 mobile homes accounted for nearly one-fifth of the total U.S. new-shelter market, as manufacturers shipped over 550,000 mobile homes to domestic dealers that year compared with 2.4 million starts of site-built units.[1/] Moreover, in the cyclical downswings in private housing starts that began in 1966 and 1969, mobile-home shipments had merely edged down, whereas conventionally-built housing starts dropped sharply.

But in 1974-75 the pattern of steadily advancing mobile home sales was interrupted. From a peak annual rate of 653,000 units in the first quarter of 1973, mobile home shipments plunged to 375,000 by mid-1974, then fell off further to 200,000 per year in the second quarter of 1975. Starts of conventionally-built housing declined almost as sharply over this 1973-75

period. Since then, however, conventioanlly-built housing starts have again recovered to the two million mark, whereas mobile home shipments are still less than half their 1973 rate. The mobile home industry struggled to achieve a 15 percent increase in shipments in 1976, and it managed only a 12 percent increase in 1977.

The sharp 1973-75 decline and modest post-1975 recovery in mobile home shipments has reopened the question of the mobile home's viability as a significant housing alternative. Was the 1973-75 mobile home recession a temporary--albeit traumatic--shakeout, to be followed by renewed growth? Or has the glowing future once seen for mobile home sales and finance been dimmed more permanently?

Numerous data on mobile home sales and financing with which to address these issues are available. This paper attempts to tie together all the statistical evidence in focusing particularly on the following questions:

1) What has been the true pattern of mobile homes sales (as opposed to shipments) in recent years?

2) To what extent has restraint on credit supply contributed to the pattern of sales?

3) To what extent is such constraint still operating?

Answers to these questions could be very important in evaluating the implications of the apparent slow recovery in mobile home shipments.

Recent Patterns of Mobile Home Sales

Shipments of mobile homes fell sharply in 1974-75. From peak to trough, the decline was 70 percent. This decline, however, overstates the degree to which sales to the final consumer dropped. The early 1970s were years of optimism--new dealers entered the market in great numbers

and many existing dealers opened new lots. Every dealer made certain he was well-stocked for the expected stream of customers. But when demand for new units slowed to a trickle in early 1974, the large reservoir of unsold inventory threatened to drown the dealer rather than to sustain him. Because dealer inventories were so high, the reduced sales levels in 1974 and 1975 could be maintained on a vastly lower volume of factory shipments.

Little industry data exist to document movements in actual sales and dealer inventories for years prior to 1974, although new Census Bureau data (shown in Table 1) provide estimates beginning with 1974. Therefore, an attempt was made to generate some estimates of final sales for the 1972-77 period based on Federal Reserve Board data on mobile home credit volume and loan terms,[2/] and average loan size data from the American Bankers Association. These data were used to generate estimates of the number of units financed, assumed to closely approximate the number of units sold on the grounds that few new units are purchased strictly for cash.[3/] An adjustment was made to subtract financing of second-hand units to provide a better comparison between sales and shipments.[4/] Units financed were calculated by dividing total mobile home credit extended by the average contract amount (principal plus precomputed interest), which in turn was estimated as a weighted average of loan amounts at banks and finance companies.[5/] No effort was made to adjust for refinancing activity, a factor which could distort the units financed estimate of sales by "over-stabilizing" it.[6/] Calculated estimates of units sold (financed) appear in Table 2, along with data on manufacturers' shipments.

TABLE 1

NEW MOBILE HOME PLACEMENTS, PRICES AND INVENTORIES
1974-77, CENSUS BUREAU SERIES[1/]
(Units in thousands, NSA)

	Placements for Residential Use (Units, at annual rates)	Dealer Inventory End of Period (Units)	Average Sales Price (Dollars)
1974 - Q1	372	126	8,500
Q2	411	121	9,100
Q3	374	106	9,600
Q4	226	95	10,000
1975 - Q1	185	87	9,900
Q2	248	83	10,600
Q3	271	77	11,000
Q4	213	73	11,700
1976 - Q1	189	77	11,400
Q2	270	76	11,800
Q3	294	72	12,700
Q4	230	74	13,400
1977 - Q1	195	78	13,600
Q2	278	78	13,900
Q3	305	73	14,300
Q4	236	72	14,900

1/ Source: Census Bureau, C.20 Construction Report--Housing Starts. A description of the series is included in the December 1976 Report, C.20 - 76-12.

p = Preliminary.

TABLE 2

NEW MOBILE HOME SHIPMENTS AND FINAL SALES
Seasonally Adjusted Annual Rates
(Thousands of Units)

Period	Estimate of units financed = units sold[1/]	Manufacturer shipments to dealers[2/]	"Sales Gap" units sold less shipments	Estimate of Average Contract Amount	
				Finance Cos.[3/]	Banks & Others[4/]
1972 - Q1	513	573	-60	$ 9,740	$8,587
Q2	514	575	-61	10,116	
Q3	522	542	-21	10,651	
Q4	527	631	-104	10,970	
1973 - Q1	559	653	-94	10,923	$10,275
Q2	516	595	-79	11,483	
Q3	505	532	-27	11,965	
Q3	492	492	0	12,241	
1974 - Q1	438	420	18	12,689	$12,143
Q2	400	377	23	12,855	
Q3	328	304	24	13,931	
Q4	282	217	65	14,125	
1975 - Q1	259	202	57	13,524	$11,272
Q2	256	199	57	14,257	
Q3	266	219	47	14,500	
Q4	287	235	52	15,069	
1976 - Q1	309	262	47	15,007	$11,494
Q2	276	238	38	15,080	
Q3	270	237	33	15,789	
Q4	275	253	22	16,290	
1977 - Q1	259	269	-10	16,111	$13,497
Q2	269	256	13	16,992	
Q3	263	274	-11	17,990	
Q4	258	319	-61	18,243	

1/ Total mobile home credit extended, divided by a combined average contract amount, and adjusted to remove second-hand units. Based on Federal Reserve data in G.19 and E.10 releases, and American Bankers Association Installment Credit Survey.

2/ From Manufactured Housing Institute and Census Bureau.

3/ Principal plus finance charge, calculated from Federal Reserve E.10 data.

4/ Weighted average of loan amounts for direct and indirect mobile home loans; annual data available from American Bankers Association.

The sales estimates suggest several conclusions. First, actual sales of mobile homes were never as bad in 1974-75 as the shipments series suggested, in part because sales were never as good in 1971-73 as shipments represented them to be. But regardless of whether sales fell off 70 percent (shipments series) or 45 percent (units financed series), the decline was a large one. Since conventionally-built housing starts fell over 50 percent during the same span, there was little if any difference between final sales of mobile homes and housing in general during the 1974-75 recession.

Perhaps a point of greater significance than the magnitude of the 1974-75 decline for estimating trends in housing alternatives is that the subsequent recovery in new mobile homes appears considerably weaker measured by the sales (units financed) series than by the shipment series. Study of the 5-1/2 years of shipments and sales shows that during the entire period from late 1973 through 1976 dealers were working off inventories by selling more units than were shipped to them. This behavior also implies that the recovery that took place in shipments after late 1975 reflected more a shift from net inventory liquidation to normal replacement activity rather than renewed strength in final sales. In fact, final sales (units financed) as of year-end 1977 appear little higher than in early 1975. In contrast, site-built housing starts nearly doubled over the same period. It also appears from these estimates that shipments may have exceeded sales during 1977, although the Census data in Table 1 do not indicate a renewed buildup in inventories. The final sales series (Table 2) is hardly a precise measure, of course, but it does signal that a possible sales-shipments imbalance may be materializing again.

Possible explanations for the sharp 1974-75 recession in mobile home sales--and failure of recovery--are plentiful. Overbuilding, which also disrupted conventionally-built housing, partly explains the rollercoaster mobile home sales pattern but hardly accounts for the more recent disappointing experience.

Another factor is the general problem of unfavorable product image which still plagues the mobile home industry. Despite improved quality and the advent of house-like double-wides, many people still think of mobile homes as substandard "trailers." Aside from intensifying the industry's chronic problem with local zoning regulations,[7/] a lackluster image renders mobile homes especially vulnerable to competitive counterattack. Dealers, lenders, and industry analysts may have forgotten this vulnerability in the heady sales climate in the early 1970s. Public acceptance at that time, though broad, was apparently not very deep. In retrospect, mobile homes seem to have been an easy prey to site-built competition, exemplified, for instance, in the rediscovery and successful promotion of the townhouse.

Credit Supply Conditions

Sharp swings in credit availability in recent years also helped to shape the pattern of mobile home sales. It is widely acknowledge that unexacting lending standards in the late 1960s and early 1970s helped to move units off the dealers' lots--at least temporarily.[8/]

Lenient credit conditions were reflected in gradually rising delinquency rates in 1972 and 1973. With the advent of the 1974-75 recession, delinquency rates rose even more sharply. At commercial banks, the average delinquency rate on mobile home loans doubled (and repossessions nearly tripled) between the first quarter of 1973 and the first quarter

of 1975 (Tables 3 and 4). Delinquency rates reportedly approached ten percent in some areas. Generally, low owner equity and availability of close housing substitutes at lower monthly outlays (e.g., rental units, living with relatives) contributed to the high incidence of delinquency and repossession. Moreover, perhaps as many as 60 percent of the dealers for which lending institutions had financed inventories went out of business, adding appreciably to lender costs.

Shaken by this experience, many lenders retreated from mobile home financing altogether. At least one-quarter of the finance companies which originally reported to the Federal Reserve on mobile home loans for the E.10 release have discontinued making such loans. According to the American Bankers Association, the percentage of banks purchasing mobile home paper from a dealer service company declined from 27 percent in 1972 to eight percent in 1976.[9/]

Lenders who continued to finance mobile homes tightened their lending policies considerably.[10/] Finance rates moved higher (Table 5). Between early 1973 and late 1975, they rose from 10.7 percent to 11.9 percent on bank direct mobile home loans, and from 12.5 to 13.8 percent on finance company loans. Moreover, the previous rapid lengthening of maturities abated, and, on average, a smaller proportion of the sales ticket was financed--less than 70 percent in late 1976 compared with over 90 percent in late 1972 (Table 5). But credit rationing lenders probably placed greater overall reliance on adopting more stringent loan-granting criteria for which little documentation exists than on restricting lending terms.

TABLE 3

DELINQUENCY, REPOSSESSION, AND LOSS RATES
ON MOBILE HOME LOANS AT COMMERCIAL BANK[1/]

Period	Delinquency Rate[2/]	Repossession Rate[3/]
1972 - Q1	1.91	2.96
Q2	2.08	2.71
Q3	2.37	2.67
Q4	2.49	2.86
1973 - Q1	2.68	2.63
Q2	2.79	2.87
Q3	2.80	3.35
Q4	3.02	2.90
1974 - Q1	4.20	4.73
Q2	3.70	4.09
Q3	3.57	3.82
Q4	3.81	3.82
1975 - Q1	4.10	6.37
Q2	3.69	4.42
Q3	3.95	3.68
Q4	3.69	2.82
1976 - Q1	3.54	2.92
Q2	3.30	2.21
Q3	3.63	2.43
Q4	3.39	2.20
1977 - Q1	3.43	2.71
Q2	3.54	2.23
Q3	3.57	2.22
Q4	3.57	1.89

Loss Rates,[4/] Direct Loans

Period	Gross	Net
1971	.24	.26
1972	.17	.12
1973	.37	.20
1974	1.06	.71
1975	1.54	.43
1976	.43	.28

Loss Rates,[4/] Indirect Loans

Period	Gross	Net
1971	.15	.14
1972	.12	.06
1973	.19	.12
1974	.39	.24
1975	1.20	.18
1976	1.17	.66

Loss Rate[4/] - FHA Title 1

Period	Gross	Net
1974	.02	.01
1975	.47	.18
1976	.75	.75

1/ Source: American Bankers Association, Delinquency Rates on Bank Instalment Loans, various issues, and Instalment Credit Survey, 1976.

2/ Number of loans delinquent over 30 days as per cent of total loans outstanding.

3/ Number of units repossessed as per cent of loans outstanding; bimonthly and monthly rates converted to quarterly annual rates at Federal Reserve.

4/ Dollar losses as per cent of total liquidations during year.

TABLE 4

DELINQUENCY RATES ON MOBILE HOME LOANS, ALL LENDERS[1/]

YEAR	Delinquency Rate[2/]			
	All Lenders	Commercial Banks	Finance Companies	Savings and Loan Associations
1971	1.5	1.8	1.3	4.4
1972	2.5	2.4	2.3	6.5
1973	4.1	3.4	4.3	5.6
1974	3.8	4.5	3.1	7.2
1975	4.8	3.8	5.6	4.7
1976	4.0	3.4	4.4	4.3

1/ Manufactured Housing Institute, Manufactured Housing Financing, 25th and 26th Annual Surveys.

2/ Number of accounts delinquent 30 days or more, as per cent of number of accounts outstanding

TABLE 5

MEASURES OF SUPPLY CONSTRAINT
IN MOBILE HOME FINANCING

Period	APR Finance Rates		Average Maturity (Fin. Cos.)[2]	Amount Financed Relative to Unit Retail Value[3]
	Bank Direct (84 mo. loans)[1]	Fin. Co. Indirect (All loans)[2]		
1972 - Q1	10.81%	12.57%	102.1 mo	85.1%
Q2	10.56	12.29	104.1	87.0
Q3	10.70	12.33	106.8	90.8
Q4	10.73	12.41	112.0	90.4
1973 - Q1	10.66	12.53	113.1	86.5
Q2	10.68	12.72	115.3	82.5
Q3	10.95	12.84	117.3	83.9
Q4	11.08	13.12	118.2	85.2
1974 - Q1	11.09	13.20	119.1	79.1
Q2	11.08	13.07	120.5	73.8
Q3	11.63	13.32	123.2	73.3
Q4	11.84	13.60	122.5	65.1
1975 - Q1	11.82	13.60	120.2	67.3
Q2	11.79	13.57	121.9	69.2
Q3	11.91	13.78	120.5	68.8
Q4	11.88	13.43	122.6	67.7
1976 - Q1	11.78	13.18	122.8	69.2
Q2	11.70	13.35	122.7	65.4
Q3	11.84	13.59	124.2	65.3
Q4	11.70	13.64	123.3	63.0
1977 - Q1	11.83	13.59	124.7	59.4
Q2	11.75	13.65	126.2	57.5
Q3	11.85	13.55	127.6	59.6
Q4	11.90	13.54	129.0	60.9

1/ From Federal Reserve Statistical Release G.10.

2/ From Federal Reserve Statistical Release E.10.

3/ Average amount financed from E.10 divided by Census Bureau series on unit value of mobile homes shipped.

BANKS PURCHASING MOBILE HOME PAPER
FROM A DEALER SERVICE COMPANY[1]

	1972	1973	1974	1975	1976
Proportion of Banks	31.2%	27.3%	18.4%	12.3%	7.7%

1/ From American Bankers Association, Installment Credit Survey, 1975 and 1976.

Sources of Financing

It is likely that lenders are still cautious toward mobile home finance. Sluggish sales have probably done little to reinitiate creditor enthusiasm for this type of paper. Also, delinquency rates, while down from earlier peaks, still remain high compared to their pre-1974 levels (Table 3).

Mobile home credit outstanding continues to shrink at finance companies, and has increased only marginally at commercial banks over the past two years. S&Ls, seeking to diversify their mortgage-dominated portfolios, are the only lender group vigorously expanding its holdings of mobile home loans currently.

The shift in sources of mobile home finance is shown in Table 6. The increased penetration of S&Ls reflects their later entry into the market (legally prohibited until 1969), as well as their generally more limited options for deployment of funds and perhaps their greater expertise in most aspects of housing finance. Currently S&Ls are finding the financing of double-wide mobile homes particularly congenial to their traditional activities. In some cases, depending upon applicable State law, the purchase of a site is financed with the mobile home, and the whole package is handled as a mortgage of real property rather than as an installment loan.[11/]

In contrast, finance companies have been retreating from the market. Besides the delinquency and repossession problems finance companies suffered in common with other lenders, the sharp rise in their cost of short-term borrowing relative to mobile home finance rates during 1973 and 1974 lessened the attractiveness of this type of paper (Table 7). Further, in recent years finance companies have been acquiring relatively more business than consumer loans (Table 8).

TABLE 6

MOBILE HOME CREDIT EXTENDED DURING PERIOD
BY MAJOR FINANCIAL INSTITUTIONS
(In millions of dollars, SAAR)

	All Lenders	Commercial Banks	Finance Companies	Savings & Loans	Credit Unions
1972 - Q1	1,376	855	308	191	21
Q2	1,434	897	314	201	23
Q3	1,538	951	347	223	17
Q3	1,635	1,014	361	238	22
1973 - Q1	1,772	1,104	394	247	27
Q2	1,713	1,046	396	247	24
Q3	1,767	1,165	372	230	23
Q4	1,791	1,113	428	227	23
1974 - Q1	1,673	1,037	393	222	21
Q2	1,606	955	394	232	24
Q3	1,358	812	334	187	26
Q4	1,172	704	257	188	23
1975 - Q1	1,048	646	191	186	25
Q2	1,038	637	183	193	26
Q3	1,071	640	184	213	34
Q4	1,185	718	209	221	37
1976 - Q1	1,296	844	184	226	42
Q2	1,167	735	178	215	39
Q3	1,172	725	166	242	39
Q4	1,234	798	162	242	32
1977 - Q1	1,200	718	159	275	48
Q2	1,315	804	156	307	48
Q3	1,357	795	161	355	45
Q4	1,381	851	175	305	51

Source: Federal Reserve Board.

TABLE 7

MOBILE HOME FINANCE RATE (APR) AT FINANCE COMPANIES
COMPARED TO COST OF FUNDS -- COMMERCIAL PAPER RATE (CPR)

	1972		1973				1974				1975		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q1
APR	12.3	12.4	12.5	12.7	12.8	13.1	13.2	13.1	13.1	13.6	13.6	13.6	13.8
CPR	4.9	5.3	6.3	7.5	9.9	9.0	8.3	10.5	11.5	9.1	6.6	5.9	6.7
Difference	7.4	7.1	6.2	5.2	2.9	4.1	4.9	2.6	1.8	4.5	7.0	7.7	7.1

TABLE 8

BUSINESS AND CONSUMER CREDIT OUTSTANDING
AT FINANCE COMPANIES ($ BIL.)

	1972	1973	1974	1975	1976	1977
Business	27.4	32.3	37.2	29.3	44.7	55.1
Consumer	31.9	35.4	36.1	36.0	38.6	44.0
Ratio: B/C	.86	.91	1.03	1.09	1.16	1.25

TABLE 9

COST COMPARISON, MOBILE VS. SITE-BUILT HOMES
(Retail prices exclusive of land)

Price/Sq. ft.	1972	1973	1974	1975	1976	1977
Site-built	$15.50	$17.30	$18.90	$21.05	$22.35	$24.50
Mobile home	$ 8.73	$ 8.84	$10.63	$11.98	$13.09	$13.20
Ratio: site-built to mobile home	1.78	1.96	1.78	1.76	1.71	1.86

Note: Mobile home cost includes furniture, carpeting, appliances, etc. but does not include footing and other set up charges.
Data from Advance Mortgage Corporation, U.S. Housing Markets.

The Outlook for Mobile Homes

On balance, the considerations reviewed in this paper suggest that mobile home sales are likely to achieve only modest growth over the next several years, despite continuing favorable cost comparisons with site-built homes (Table 9). Comparative costs per square foot have been as favorable to mobile homes in the weak sales years of 1974-75 (and today) as in the strong years of 1972-73.[12/]

It is anticipated that builders of conventionally-built housing will continue to offer formidable competition in meeting the housing needs of young marrieds, retirees, and others with modest incomes. Moreover, possible innovations in mortgage finance--such as graduated payment mortgages may help to maintain or increase the relative affordability of conventional site-built homes.

The availability of credit for mobile homes will continue to be an important determinant of sales. Lender attitudes, of course, will be influenced by delinquency and repossession experience on mobile home paper. Delinquency rates on these loans, though remaining higher than on many other types of consumer paper, have decreased from recession levels (Table 3 and 4), a performance which is probably having a marginally positive effect on credit availability. Fundamental factors affecting sales demand will also influence lenders: favorable developments regarding zoning regulations,[13/] existence of desirable park space, and resale values of used units would tend to make lenders more willing to book mobile home loans. Major breakthroughs in these areas, however, do not appear imminent.

Beyond these general influences on the mobile home industry, lenders will be particularly affected by specific developments in credit markets. While some such factors may stimulate credit availability,[14/] they seem more likely to discourage involvement in mobile home financing. For instance, growing consumer protection regulation, such as existing and proposed FTC regulations which sharply limit the "holder-in-due-course" protection by which lenders formerly could enforce credit contracts regardless of consumer dissatisfaction over the product or service involved, may reduce the attractiveness of mobile home lending.

A potentially broader influence on the attractiveness of mobile home lending is a possible shift towards actuarial computation of interest rebates on prepaid loans. The "Rule of 78's"--which boosts net yields on prepaid loans--is common at present, but pressure for actuarial computation is building. The State of Iowa, for example, now mandates the actuarial method, and in October 1977 HUD announced that the actuarial method must be applied to prepayment of FHA-insured mobile home loans. These and other pressures on mobile home loan profitability probably will inhibit lender enthusiasm for this type of finance during the next few years.

APPENDIX

This appendix presents statistics concerning mobile home ownership and related credit, developed from the 1977 Consumer Credit Survey conducted by the University of Michigan's Survey Research Center on behalf of the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Comptroller of the Currency. Of 2,563 households surveyed, 148 (or 5.8 percent) lived in mobile homes during the summer of 1971; 117 families owned the mobile home in which they lived, and 50 had loans outstanding on these units.

The tables here are related primarily to issues raised in the text and by no means exhaust the possible tabulations available from the survey responses. In particular, no information on demographic characteristics of mobile home owners is presented here. Such tabulations will be included in the Federal Reserve Board's forthcoming report on the Survey results.

The results in Tables A-1 and A-2 have some implications for the method by which the units financed series was created as a proxy for sales of new mobile homes. Table A-1 implies that a larger adjustment to remove used units from the sales estimate might be appropriate. Also, it may be incorrect to assume that relatively few sales are for cash, since loans were outstanding on less than half the owned units surveyed. Further adjustments for these two factors would tend to offset each other, however. A more accurate representation of used-unit sales would lower the estimate of new-unit sales, but adding in cash sales would raise the estimate.

In Table A-2 the mobile home ownership data are grouped by year of purchase. The data suggest that, at least since the mid-1970s, more mobile home units have been purchased used than new. It also provides additional evidence that a considerable number of units may have been purchased for cash: of 12 instances of new mobile homes purchased in 1976-77, half were owned debt free at the time of the survey in August of 1977.

Table A-3 provides data for mobile home owners' site rents and size of loan payments, as well as combined loan payment and site rent for those making loan payments. Table A-4 summarizes information on the original cost of owner-occupied mobile homes compared with the current value estimated by the survey respondents. While the owner estimates of current value are not necessarily reliable indications of actual current value, they do provide an interesting insight into the perceptions of mobile home owners. As the Table shows, a somewhat higher percentage perceive their mobile home to have declined in value since purchase than perceive an increase in value (several saw no change). In contrast, in this same survey, only four percent of respondents who owned a single-family conventionally-built home thought their home had decreased in value since purchase.

TABLE A-1

SELECTED STATISTICS ON MOBILE HOME OWNERSHIP
FROM 1977 CONSUMER CREDIT SURVEY

	Number of Households	Per Cent of Total
OWN	117	79
RENT	23	16
OTHER	8	5
Total Living in MH	148	100
Total Households Surveyed	2,563	
Per Cent Living in MH	5.8	
Purchased New	51	44
Lived in Before	61	52
Not Ascertained	5	4
Total Owning MH	117	100
Existing Loan on Unit	50	43
No Loan	66	56
Not Ascertained	1	1
Total Owning MH	117	100
Original Loan	49	98
Refinanced Loan	1	2
Total with MH Debt	50	100

TABLE A-2

MOBILE HOME INDEBTEDNESS ON UNITS
PURCHASED NEW AND USED BY YEAR OF PURCHASE

	Purchased before 1973		
	Loan	No Loan	Total
New	10	19	29
Used	1	15	16
Total	11	34	45

	Purchased 1973 to 1975		
	Loan	No Loan	Total
New	6	4	10
Used	10	11	21
Total	16	15	31

	Purchased 1976 or 1977		
	Loan	No Loan	Total
New	6	6	12
Used	14	9	23
Total	20	15	35

AVERAGE LOAN AND SITE RENT PAYMENTS

	Observations	Dollar Amount	
		Average	Range
Loan Payment - All Cases	48	113	43 to 208
Site Rent - All Cases	52	53	5 to 111
Loan Payment & Site Rent			
Make Both Payments	21	160	100 to 248
Including Site Rent = 0	47	132	43 to 248

TABLE A-4

COMPARISON OF ORIGINAL COST AND CURRENT VALUE

	Observations			Dollar Amount	
	Total	Plus	Minus	Average	Range
Cost at Purchase	108	--	--	7,289	500 to 18,590
Estimated Current Value*	108	--	--	7,702	800 to 25,000
Current Value Less Cost	103	36	48	348	-9,000 to 20,000

*For households providing both cost and value estimates.

FOOTNOTES

[1]Data on site-built housing starts and mobile home shipments are reported monthly in Construction Report C-20, Housing Starts, by the Bureau of the Census.

[2]Data on mobile home credit outstanding, extended, and liquidated are published in the Board's monthly press release number G.19. Terms on finance company mobile home loans, including amount financed, APR finance rate, and average maturity are published in the quarterly E.10 statistical release.

[3]Undoubtedly some units are purchased for case--retired persons concurrently selling a larger home would usually be able to purchase with cash--but the customary mobile home purchaser would generally have inadequate resources to pay cash. Since few data are available on the proportion of cash sales, and in view of the approximate nature of other elements of the estimate, no adjustment for cash purchase was made.

[4]The used-units adjustment was a very rough one. It is based on estimates from a few mobile home lenders that about 15 to 20 percent of the total number of units financed are second-hand. Data from the 1977 Consumer Credit Survey (see Appendix) suggest that the proportion of used units in the total financed might be somewhat higher than the percentage used here.

[5]Finance company average contract amounts were estimated from data on average amount financed, average maturity and average finance rate published in the Federal Reserve's E.10 Statistical release. Annual data on commercial bank loan amounts was taken from the Installment Credit Surveys of the American Bankers Association; quarterly figures were estimated by interpolation.

[6]In the Federal Reserve's consumer credit statistics, a refinanced loan generally results in simultaneous increases in liquidation (in the amount of the old loan) and in extensions (in the amount of the new loan). An increase in refinancing activity, as might occur during an economic down swing, would thus tend to raise extensions further above the "true" level of new loan originations. It might be noted, however, that only one instance of a refinanced mobile home loan (out of 50 loans in force) was reported in the 1977 Consumer Credit Survey. (See Appendix)

[7]Many industry spokesmen assert that restrictive zoning is the major barrier to sales expansion.

[8]A representation [illegible] major finance company reported to the 1975 convention of the Manufactured Housing Institute that in 1972 "finance and service company competition was so intense that there were literally no rejects in mobile home financing."

FOOTNOTES (continued)

[9]This downtrend undoubtedly also reflects a shrinkage in the number of service companies operating--from 100 in 1972 to a dozen or so in 1975, by one estimate--and some banks may have continued to make direct mobile home loans while severing relations with service companies.

[10]Advance Mortgage Company estimated in U.S. Housing Markets, First Half 1977 that "half the buyers in ...1972-73 would not qualify for a loan today."

[11]This practice is generally believed to be increasing (which, incidently, would bias the sales estimates of Table 2 downward), but it accounts for a very small percentage of total units financed. It was recently reported (in Manufactured Housing Dealer, August 1978, p. 32) that Crocker National Bank has switched mobile home financing from its customer loan administration to its mortgage banking group. The report said that Crocker was the first major bank to shift mobile home financing from the installment loan to the real estate department.

[12]Some have argued that the favorable cost comparison of mobile homes to conventional homes is largely illusory. For example, see Philip Weitzman, "Mobile Homes: High Cost Housing in the Low Income Market," Journal of Economic Issues, September 1976, p. 576-97. Weitzman's argument hinges to some extent on differing finance costs, but it is based primarily on the assumption of far greater appreciation in value of site-built homes.

[13]For example, proposed legislation in California that would treat mobile homes as real rather than personal property could ameliorate the local zoning biases against mobile homes. Such changes, if they occur, could stimulate product demand and credit availability.

[14]Lenders would benefit from development and expansion of the secondary market for mobile home paper. A market for GNMA-guaranteed securities backed by FHA-insured mobile home loans has existed since 1972, but the market remains quite small.

PUBLICATIONS
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